

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 AS-01 AID-05 EB-07 AGRE-00 CIAE-00

DODE-00 PM-04 H-01 INR-07 L-03 NSAE-00 NSC-05

PA-01 PRS-01 SP-02 SS-15 USIA-06 OMB-01 TRSE-00

IO-13 /082 W

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R 140430Z JUL 77

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC 8324

INFO AMEMBASSY BANGKOK

AMEMBASSY PARIS

AMCONSUL HONG KONG

AMCONSUL UDORN

CINCPAC

C O N F I D E N T I A L VIENTIANE 1049

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: EAGR SOCI EINV ECON EALR SPOP SHUM LA

SUBJECT: REORGANIZATION OF VIENTIANE FOOD MARKET

REF: A VIENTIANE 0963, B 76 VIENTIANE 2981, C VIENTIANE 1019

SUMMARY: VIENTIANE MUNICIPAL AUTHORITIES HAVE RECENTLY TAKEN ACTIONS TO FORCE SMALL FOOD AND DRY GOODS MERCHANTS OUT OF BUSINESS BY (A) RESTRICTING TRADE OF GROCERY AND SMALL DRY GOODS ITEMS WITH THAILAND, (B) FORCING FOOD MERCHANTS TO SELL AT BELOW COST PRICES, AND (C) RAISING INITIAL CAPITAL TO STOCK GOVERNMENT OWNED GROCERY STORES BY COLLECTING CONTRIBUTIONS FROM THE POPULATION.

1. ACCORDING TO A RELIABLE LAO SOURCE, ON MONDAY, JULY 11, 1977, VIENTIANE MUNICIPAL AUTHORITIES PLACED  
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LOCAL MILITIA TROOPS IN THE CITY'S CENTRAL MARKET TO FORCE MERCHANTS AT GUN POINT TO SELL FOOD ITEMS FOR THE GOVERNMENT SET PRICES, AS ANTICIPATED REF A. SOURCE SAID THE MILITIA FIRST MONITORED ALL RICE VENDORS UNTIL THESE MERCHANTS COMPLETELY SOLD THEIR STOCKS AT THE GOVERNMENT PRICE OF 60 KIP PER KILO. (THE FREE MARKET PRICE WAS 600 KIP PER KILO.) THE

MILITIA THEN MOVED ON TO THE EGG, FISH, AND VEGETABLE MERCHANTS, ALSO FORCING THEM TO SELL THEIR ENTIRE STOCKS AT BELOW COST PRICES. BY WEDNESDAY, JULY 13, THE NONG DUANG MARKET WAS NEARLY EMPTY. THERE WAS NO RICE, MEAT, FISH OR EGGS AVAILABLE AND ONLY A FEW FRUITS AND VEGETABLES.

2. ON JUNE 20 THE VIENTIANE MUNICIPAL AUTHORITIES APPLIED STRICT CONTROLS ON THE RIVER TRADE OF GROCERY ITEMS AND DRY GOODS WITH THAILAND, AS REPORTED REF A. SINCE THEN THE PRICES OF THE FEW AVAILABLE THAI PRODUCTS HAVE INCREASED, AND LAO MERCHANTS' STOCKS OF IMPORTED GOODS HAVE DECREASED.

3. IN A LOCAL SEMINAR JULY 9 VIENTIANE MUNICIPAL AUTHORITIES REPORTEDLY ASKED ALL CITIZENS SIXTEEN YEARS OF AGE OR OLDER TO CONTRIBUTE 5000 KIP TO A COMMON FUND. GOVERNMENT AUTHORITIES REPORTEDLY EXPLAINED TO THE PEOPLE THAT THE MONEY WAS TO BE USED AS INITIAL CAPITAL TO PURCHASE FOOD STOCKS FOR GOVERNMENT OWNED AND OPERATED NEIGHBORHOOD STORES. THE CONTRIBUTION IS, REPORTEDLY, VOLUNTARY AND THE GOVERNMENT PROMISED TO REPAY ALL INVESTORS AT AN INTEREST RATE OF TEN PERCENT PER MONTH. EVERYONE WOULD REPORTEDLY BE ELIGIBLE TO PURCHASE FOOD AT THE GOVERNMENT STORES EVEN IF THEY DID NOT CONTRIBUTE

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5000 KIP.

4. GOVERNMENT AUTHORITIES REPORTEDLY EXPLAINED IN A JULY 9 SEMINAR THAT IT HOPED TO REDUCE THE COST OF FOOD FOR THE PEOPLE BY ELIMINATING PROFITS EARNED BY MIDDLEMEN. IT REPORTEDLY STRESSED THAT THE MIDDLEMEN FOOD MERCHANTS COULD BECOME GOVERNMENT EMPLOYEES IN THE NEWLY ESTABLISHED GOVERNMENT STORES OR COULD BECOME FARMERS AND PRODUCE FOOD. REF B REPORTED THAT IN A SEMINAR DECEMBER 15 GOVERNMENT AUTHORITIES PLEDGED TO DISBAND THE FREE FOOD MARKET IN VIENTIANE DURING 1977 AND THAT HENCEFORTH ALL COMMERCE WOULD BE CONDUCTED IN STATE STORES.

6. COMMENT: THESE ACTIONS ARE CONSISTENT WITH THE LPDR'S WELL KNOWN AUTARKIC POLICY OF REDUCING IMPORTS WHILE STRIVING FOR SELF SUFFICIENCY IN FOOD PRODUCTION. VIENTIANE AUTHORITIES, HOWEVER, HAVE MOVED AT A TIME WHEN NATIONAL RICE STOCKS ARE VIRTUALLY DEPLETED AND FREE MARKET FOOD PRICES ARE INCREASING RAPIDLY (REF C). THE GOVERNMENT MAY BE ATTEMPTING TO DISGUISE ITS FAILURE TO PREPARE FOR RICE SHORTAGES AFTER A POOR

1976 HARVEST BY SCAPEGOATING PRIVATE MERCHANTS AND BY  
CREATING MARKET CONDITIONS THAT WOULD COMPEL MANY CITY  
DWELLERS TO RETURN TO THE COUNTRYSIDE TO BECOME  
"PRODUCERS". A CONTINUED FOOD SHORTAGE IN VIENTIANE  
WILL DRIVE PEOPLE OUT OF THE CITY, EITHER TO THAILAND  
OR TO THE COUNTRY SIDE. IT APPEARS, HOWEVER, THAT THE  
GOVERNMENT WILL HAVE TO EITHER MAKE AN EMERGENCY  
APPEAL FOR FOOD AID OR SPEND SCARCE FOREIGN EXCHANGE TO  
BUY RICE AND FOODSTUFFS SOON.  
MCWILLIAMS

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## Message Attributes

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